

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF ELAM UTILITY COMPANY)
FOR A GENERAL INCREASE IN RATES) CASE NO. 9375

O R D E R

IT IS ORDERED that Elam Utility Company ("Elam") shall file an original and seven copies of the following information with this Commission by October 24, 1985, or within 2 weeks of the date of this Order with a copy to all parties of record. Include within the response to each item the witness who will be available at the public hearing to testify on that particular issue. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Please provide updates of incurred rate-case expenses as per Item No. 6 of the Commission's first request.

2. Typically, the test of the inclusion of an item in rate base is whether the item is used and is useful. The Commission found in its Case No. 8178 that the extraordinary property losses should not be allowed in Elam's rate base, as the extraordinary property losses were no longer in service. Have circumstances materially changed since Case No. 8178 concerning the extraordinary property losses? If so, please enumerate the changes in circumstances.

3. Please provide copies of all indentures, as those contained in Case File No. 8929 were illegible due to a poor copy quality.

4. Also, in Case No. 8178, the Commission allowed the amortization of the extraordinary property losses over a period of 12 years as a return of invested capital to the stockholders. Please provide the amount of amortization expense included in the test-period expenses.

5. In Case No. 8929, the Commission found certain expenditures for donations, advertising and holiday bonuses were not acceptable for rate-making purposes. Please provide all amounts, including the associated business purpose, expended during the test period for advertising, holiday bonuses and donations.

6. In its response to Item No. 10 of the Commission's first request, Elam did not specifically address the issue of whether the 2-year amortization of past-due gas purchases was an on-going cost of service acceptable for rate-making purposes. Neither did Elam address the issue whether the proposed amortization was retroactive rate-making and may not be allowable for rate-making purposes. Please respond to these issues.

7. Please provide the in-service dates for the "Elam Plant Restoration Cost" data provided in response to Item No. 15 of the Commission's first request.

8. According to the response to Item No. 3 of the Commission's first request, Elam had a 5.62 percent line loss for the test period. Generally, the Commission does not allow line

loss in excess of 5 percent for rate-making purposes. Provide any evidence which Elam deems supports the inclusion, for rate-making purposes, of line loss in excess of 5 percent.

9. Please also provide any evidence which supports the inclusion for rate-making purposes of the interest expense associated with past-due gas purchase costs.

10. In its 1984 Annual Report to the Commission, Elam's gas purchases and gas sales revenue produced a 3.81% figure for "lost and unaccounted for" gas. In response to Item No. 3 of the Commission's August 21, 1985, data request, Elam provided information which produced a 5.6% "lost and unaccounted for" gas figure. What accounts for the increase?

11. The Elam system is divided into two sections, West Liberty and Daysboro. Is it accurate to describe Elam's purchases and supplies as "purchases from Columbia Gas Transmission ("CGT") supply West Liberty and purchases from Capitol Oil and Gas ("Capitol") supply Daysboro?"

12. If the answer to No. 11 is yes, based on information supplied by Elam in response to Item No. 3 of the Commission's August 21, 1985, data request, 1.7% of purchases from CGT supplied by Elam to West Liberty were "lost and unaccounted for", and 58.7% of purchases from Capitol supplied by Elam to Daysboro were "lost and unaccounted for"? What are the problems with the Daysboro system that lead to 58.7% "lost and unaccounted for" gas?

13. On the Daysboro portion of the Elam system, are there plans to determine what leaks, theft of service, or other problems exist? What are these plans? If no plans exist, why not?

14. According to Elam's response to Item No. 3 of the Commission's August 31, 1985, data request, CGT supplies about 94% of Elam's gas needs at an average cost of \$4.87/Mcf. Has Elam attempted to renegotiate its contract with CGT? Has CGT's rate established in the settlement between CGT and the Federal Energy Regulatory Commission ("FERC") been passed on to Elam? Describe the characteristics of the Elam/CGT contract.

15. About 6% of Elam's gas supplies comes from Capitol, which is local production, at an average cost of \$4.29/Mcf. Has Elam attempted to renegotiate its contract with Capitol? Has Elam attempted to locate additional supplies from local production? Describe the characteristics of Elam's contract with Capitol.

16. Describe any programs or activities Elam has initiated to attract additional residential and commercial customers to the system. Do any plans exist for expansion in the near future?

17. How many industrial customers does Elam currently have on its system? Or other 12 month users of natural gas? Describe any programs or activities Elam has initiated to attract additional industrial customers.

18. What construction activities, if any, does Elam anticipate during calendar year 1986?

19. Has Elam attempted to estimate the effects the proposed rulemaking ("RM85-1"), due to be implemented soon by FERC, could have on Elam's future operations as a gas utility?

Done at Frankfort, Kentucky, this 11th day of October, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary